

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2002-306-E - ORDER NO. 2002-734

OCTOBER 15, 2002

IN RE: Application of South Carolina Electric & Gas	)	ORDER AUTHORIZING
Company for Authority to Issue and Sell from	)	\$500,000,000 PRINCIPAL
Time to Time not Exceeding \$500,000,000	)	AMOUNT FIRST
Aggregate Principal Amount First Mortgage	)	MORTGAGE BONDS
Bonds and to Issue from Time to Time not	)	AND \$2,000,000,000
Exceeding \$2,000,000,000 Aggregate	)	PRINCIPAL AMOUNT
Principal Amount First and Refunding	)	FIRST AND REFUNDING
Mortgage Bonds.	)	MORTGAGE BONDS

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of an Application to issue securities filed on September 18, 2002, by South Carolina Electric & Gas Company (the "Company" or "SCE&G"). The Application was filed pursuant to S.C. Code Ann. §58-27-1710 (1976). The Registration Statement for the securities was filed as Exhibit A to the Application.

SCE&G proposes to issue and sell from time to time not exceeding Five Hundred Million Dollars (\$500,000,000) principal amount of its First Mortgage Bonds (the "New Bonds") in one or more series pursuant to the Indenture dated as of April 1, 1993, as supplemented (the "New Indenture"), between SCE&G and The Bank of New York, successor to NationsBank of Georgia, N. A. as trustee (the "New Trustee"). The authority, pursuant to this application, to issue and sell not exceeding Five Hundred Million Dollars (\$500,000,000) principal amount of New Bonds is incremental to the authority, granted by the Commission in previous orders, to issue and sell First Mortgage Bonds.

SCE&G further proposes to issue from time to time up to Two Billion Dollars (\$2,000,000,000) aggregate principal amount of First and Refunding Mortgage Bonds, in one or more series (the “New Class A Bonds”) pursuant to the Indenture dated as of January 1, 1945, as amended and supplemented (the “Class A Indenture”), between SCE&G and JPMorgan Chase Bank, successor to Central Hanover Bank & Trust Company, as trustee, and to deposit the New Class A Bonds with the New Trustee. The authority, pursuant to this application, to issue and deposit with the New Trustee not exceeding Two Billion Dollars (\$2,000,000,000) principal amount of New Class A Bonds is incremental to the First and Refunding Mortgage Bonds authorized by previous orders of the Commission for issuance and deposit with the New Trustee.

Initially, the New Bonds will be secured primarily by (i) a like principal amount of non-interest bearing First and Refunding Mortgage Bonds issued under the Class A Indenture (“Class A Bonds”), delivered to the New Trustee for the benefit of the holders of New Bonds under the terms of the New Indenture, and (ii) the lien of the New Indenture upon substantially all of the electrical generation, transmission and distribution properties of SCE&G described in the granting clauses of the New Indenture, which lien is junior to the lien of the Class A Indenture.

The terms of each series of the New Bonds will be negotiated and will have such call and redemption provisions as may be determined at the time of sale of the New Bonds. At each issuance of New Bonds, SCE&G will designate an equal principal amount of Class A Bonds held by the New Trustee as the basis for authentication for the New Bonds. When all of the Class A Bonds outstanding under the Class A Indenture shall have been retired and the Class A Indenture shall have been cancelled, the lien of the New Indenture will then become a first lien upon the properties of SCE&G described in the granting clauses of the New Indenture.

As stated in the Registration Statement and in the Application, the Company will use the net proceeds from the sale of the New Bonds for general corporate purposes, including the financing of the Company's construction program, the reduction of short-term debt, and the refinancing of senior securities.

The New Class A Bonds must meet the issuance tests of the Class A Indenture. Except for deposit with the New Trustee under the New Indenture to serve as the basis for authentication of New Bonds and other First Mortgage Bonds issued pursuant to the New Indenture authorized by order of the Commission, Class A Bonds will not be issued. None of the New Class A Bonds deposited with the New Trustee may be sold or transferred to the public or any entity. SCE&G requests authority to enter into additional indentures supplemental to the Class A Indenture from time to time with terms similar to those set forth in the Fifty-second Supplemental Indenture, filed as Exhibit D to the Application, if necessary, for the purpose of establishing one or more series of New Class A Bonds.

According to the Application, SCE&G's cash requirements for its construction program and nuclear fuel expenditures (including amounts for construction of base load generating facilities) are estimated at \$512,000,000 for 2002 and \$935,000,000 for 2003 – 2004; and for refunding and retiring outstanding securities estimated at \$27,600,000 during 2002 (including sinking fund maturities of \$23,620,000 of which \$23,465,000 were satisfied by deposit and cancellation of bonds issued on the basis of retirement credits or property additions). During 2003 – 2006, SCE&G has \$576,300,000 of long-term debt maturing (including sinking fund maturities of \$93,863,000 of which \$93,860,000 may be satisfied by deposit and cancellation of bonds issued on the basis of retirement credits or property additions) and \$2,240,000 for

purchase or sinking fund requirements for preferred stock. SCE&G may revise its cash requirements to refund additional outstanding securities in light of changing market conditions.

SCE&G plans to offer one or more series of the New Bonds either through underwriters or dealers, through agents, or directly to a limited number of purchasers or to a single purchaser.

If underwriters are utilized with respect to any series of the New Bonds, SCE&G proposes to sell such series pursuant to an underwriting agreement in the form described hereafter and furnished as an exhibit to the Registration Statement, to an underwriter or to a group of underwriters to be selected at the time of each such sale. If any series of the New Bonds is offered in a private placement or through agents, an appropriate sales agreement will be utilized with respect to such series.

SCE&G states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of each series of the New Bonds, will determine the interest rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to SCE&G for, the call provisions of, any underwriting or purchase discount (i.e., the difference between the initial offering price and the price paid by the purchaser or underwriter to SCE&G) with respect to, and the redemption prices of, each series of the New Bonds. Based on market conditions, SCE&G believes that the initial offering price usually will not be less than 97% nor more than 102% of the principal amount of such series of New Bonds (except in the case of original discount bonds sometimes known as “zero coupon bonds”), that any underwriting discount will not exceed 1½% of the principal amount of such series of the New Bonds, that the initial regular redemption price, if any (except in the case of original discount bonds sometimes known as “zero coupon bonds”), will not exceed 100% of the principal amount of such series of

the New Bonds plus a make whole amount (yield maintenance payment). SCE&G requests that it be authorized to negotiate the most favorable interest rate and terms obtainable on the date each series of the New Bonds is priced including, if appropriate, terms, prices and redemption provisions appropriate for original discount securities sometimes known as “zero coupon bonds.” Sales of each series of the New Bonds will be made from time to time when market conditions, in the judgment of SCE&G, are favorable.

After investigation by the Commission Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed issues of New Bonds and New Class A Bonds and the proposed use of the proceeds of the New Bonds are proper; that the proposal to issue the New Bonds in one or more series, from time to time, as market conditions appear favorable, is reasonable and proper; that the proposed alternative methods of offering the New Bonds are reasonable and proper; and that the proposal to issue and deposit with the New Trustee, New Class A Bonds from time to time is reasonable and proper. Further, the Commission finds that the form of underwriting agreement attached as an exhibit to the Registration Statement is proper, subject to such changes therein as may be required in connection with any particular offering. Finally, the Commission finds that the determination by SCE&G of the appropriate time or times to offer the New Bonds is reasonable and proper.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

1. That SCE&G be, and it hereby is, authorized to issue and sell at such time or times as in the judgment of SCE&G may be favorable, in one or more series, not exceeding Five Hundred Million Dollars (\$500,000,000) aggregate principal amount of New Bonds due not later

than thirty-five (35) years from the respective date of issue of each such series, to be authenticated and issued on the basis of the designation of an equal principal amount of Class A Bonds issued pursuant to the New Indenture to and held by the New Trustee, at such price or prices, with such redemption provisions and at such interest rate or rates (in the case of bonds other than original discount or “zero coupon bonds”) as may be negotiated with the purchaser or purchasers of the New Bonds of any series in connection with the offering thereof.

2. That SCE&G is authorized to issue any series of New Bonds in either of the following ways: (i) through underwriters or dealers; (ii) directly or to a limited number of purchasers or to a single purchaser; or (iii) through agents.

3. That if necessary in connection with the issue and sale of a series of New Bonds, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver one or more indentures supplemental to the New Indenture.

4. That in connection with the issue and sale of each series of New Bonds, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver an underwriting agreement substantially similar in content to that filed as an exhibit to the Registration Statement (but with such changes therein as may be reasonably necessary to consummate the particular transaction).

5. That in connection with the issuance and sale of any series of the New Bonds in a private placement or through agents, SCE&G is authorized to negotiate the terms of and to enter into, execute and deliver an appropriate sales agreement (but with such changes as may be reasonably necessary to consummate the particular transaction).

6. That SCE&G is authorized to use the net proceeds of the sale of each series of New Bonds, solely or with other corporate funds in any case, for general corporate purposes, including the financing of the Company's construction program, and the reduction of short-term indebtedness and to refinance senior securities.

7. That SCE&G file conformed copies of each indenture supplemental to the New Indenture, underwriting agreement and/or sales agreement entered into in connection with the issuance and sale of each series of the New Bonds, within thirty (30) days after closing the transaction related to each series, and such other information as may be required by provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E.

8. That South Carolina Electric & Gas Company (SCE&G) be, and it hereby is, authorized to issue from time to time not exceeding Two Billion Dollars (\$2,000,000,000) aggregate principal amount of Class A Bonds; that if necessary in connection with the issue of New Class A Bonds, SCE&G is authorized to negotiate the terms of and enter into, execute and deliver one or more indentures supplemental to the Class A Indenture.

9. Approval of the Application does not bind the Commission as to the ratemaking treatment of this issuance.

10. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

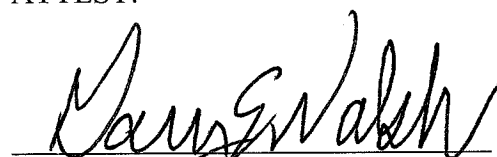
11. The Commission strongly encourages the Company to carry out the financial transactions in such a manner as to attempt to minimize possible negative impacts that could be harmful to ratepayers.

12. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Mignon L. Clyburn, Chairman

ATTEST:

  
Gary E. Walsh, Executive Director

(SEAL)